



# Washington State Auditor's Office

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## Financial Statements and Federal Single Audit Report

### Granger School District No. 204

Yakima County

For the period September 1, 2013 through August 31, 2014

Published May 28, 2015

Report No. 1014357





## Washington State Auditor

May 28, 2015

Board of Directors  
Granger School District No. 204  
Granger, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on Granger School District No. 204's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

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## FEDERAL SUMMARY

### Granger School District No. 204 Yakima County September 1, 2013 through August 31, 2014

The results of our audit of Granger School District No. 204 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

#### Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

#### Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported a finding that is required to be disclosed under section 510(a) of OMB Circular A-133.

## Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
84.010	Title I, Part A Cluster - Title I Grants to Local Educational Agencies

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The District did not qualify as a low-risk auditee under OMB Circular A-133.

# SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

## Granger School District No. 204

### Yakima County

September 1, 2013 through August 31, 2014

#### 2014-001 The District charged unallowable costs to the Title I program.

**CFDA Number and Title:** 84.010 Title I Part A, Grants to Local Educational Agencies  
**Federal Grantor Name:** U.S. Department of Education  
**Federal Award/Contract Number:** NA  
**Pass-through Entity Name:** Office of Superintendent of Public Instruction (OSPI)  
**Pass-through Award/Contract Number:** 0201506, 0229530, 0228350  
**Questioned Cost Amount:** \$11,686

#### *Description of Condition*

During the year ended August 31, 2014, the District spent \$1,094,039 in its Title I program. The objective of the Title I program is to improve the teaching and learning of children who are at risk of not meeting state academic standards and who reside in areas with high concentrations of low-income families.

We audited to ensure compliance with federal requirements governing the allowable use of funding. While the District does have a review process, our audit found this process was not effective in identifying costs that were not eligible to be charged to the grant.

#### *Cause of Condition*

District personnel responsible for approving these expenditures failed to review Title I expenditures to ensure they were necessary and reasonable for the performance of the current program.

#### *Effect of Condition and Questioned Costs*

Without adequate internal controls and review processes in place, \$11,686 was improperly charged to the grant. These costs were related to software licenses used within the Title I program for fiscal year 2015.

## ***Recommendation***

We recommend the District follow internal controls to ensure costs claimed are reasonable and necessary to operate the program in the current program year. We also recommend the District consult with the granting agency about repayment of questioned costs.

## ***District's Response***

*Effective immediately the Director of Federal Programs and Director of Business and Operations will carefully review invoices and posting of payments monthly.*

## ***Auditor's Remarks***

We thank the District for its cooperation and assistance during the audit and acknowledge its commitment to improvements. We will review the status of this issue during our next audit.

## ***Applicable Laws and Regulations***

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), states in part:

### Appendix A, Section C. *Basic Guidelines*

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
  - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
  - b. Be allocable to Federal awards under the provisions of 2 CFR part 225.

j. Be adequately documented.

2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded . . .

3. Allocable costs.

a. A cost is allocable to a particular cost objective if the good or services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Granger School District No. 204  
Yakima County  
September 1, 2013 through August 31, 2014**

Board of Directors  
Granger School District No. 204  
Granger, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Granger School District No. 204, Yakima County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 26, 2015. As discussed in Note 1 to the financial statements, during the year ended August 31, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency,

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

May 26, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

**Granger School District No. 204  
Yakima County  
September 1, 2013 through August 31, 2014**

Board of Directors  
Granger School District No. 204  
Granger, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of Granger School District No. 204, Yakima County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

### **District's Response to Findings**

The District's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB

Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **District's Response to Findings**

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Jan M. Jutte". The signature is written in a cursive style with a long horizontal flourish extending to the right.

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

May 26, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Granger School District No. 204 Yakima County September 1, 2013 through August 31, 2014**

Board of Directors  
Granger School District No. 204  
Granger, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Granger School District No. 204, Yakima County, Washington, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 18.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual) described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)**

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the Accounting Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Granger School District No. 204, as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### **Unmodified Opinions on the Governmental and Fiduciary Funds Based on U.S. GAAP**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, ASB, Debt Service, Capital Project, Transportation Vehicle and Fiduciary funds as of August 31, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Matters of Emphasis**

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedules of Long-Term Liabilities are also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

May 26, 2015

**Granger School District No. 204**  
**Yakima County**  
**September 1, 2013 through August 31, 2014**

**FINANCIAL STATEMENTS**

Balance Sheet – Governmental Funds – 2014  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2014  
Statement of Fiduciary Net Position – Fiduciary Funds – 2014  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014  
Notes to Financial Statements – 2014

**SUPPLEMENTARY AND OTHER INFORMATION**

Schedules of Long-Term Liabilities – 2014  
Schedule of Expenditures of Federal Awards – 2014  
Notes to the Schedule of Expenditures of Federal Awards – 2014

Granger School District No. 204

Balance Sheet

Governmental Funds

August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>ASSETS:</b>							
Cash and Cash Equivalents	511,044.35	11,743.21	238.52	7.75	65.78	0.00	523,099.61
Minus Warrants Outstanding	-498,988.46	-2,169.11	0.00	0.00	0.00	0.00	-501,157.57
Taxes Receivable	330,038.15		127,327.75	0.00	0.00	0.00	457,365.90
Due From Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due From Other Governmental Units	266,840.10	0.00	0.00	0.00	0.00	0.00	266,840.10
Accounts Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interfund Loans Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Items	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments	1,226,489.00	60,838.00	221,792.00	245,224.00	57,578.00	0.00	1,811,921.00
Investments/Cash With Trustee	105,942.96		0.00	0.00	0.00	0.00	105,942.96
Investments-Deferred Compensation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Self-Insurance Security Deposit	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ASSETS</b>	<b>1,941,366.10</b>	<b>70,412.10</b>	<b>349,358.27</b>	<b>245,231.75</b>	<b>57,643.78</b>	<b>0.00</b>	<b>2,664,012.00</b>
<b>LIABILITIES:</b>							
Accounts Payable	127,431.82	3,444.67	0.00	0.00	0.00	0.00	130,876.49
Contracts Payable Current	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Interest Payable			0.00				0.00
Accrued Salaries	8,585.50	0.00	0.00	0.00	0.00	0.00	8,585.50
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payroll Deductions and Taxes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due To Other Governmental Units	78,025.64	73.85	0.00	0.00	0.00	0.00	78,099.49
Deferred Compensation Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Estimated Employee Benefits Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due To Other Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The accompanying notes are an integral part of this financial statement.

Granger School District No. 204  
 Balance Sheet  
 Governmental Funds  
 August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>LIABILITIES:</b>							
Interfund Loans Payable	0.00		0.00	0.00	0.00		0.00
Deposits	0.00	0.00		0.00			0.00
Unearned Revenue	0.00	0.00	0.00	0.00	0.00		0.00
Matured Bonds Payable			0.00				0.00
Matured Bond Interest Payable			0.00				0.00
Arbitrage Rebate Payable	0.00		0.00	0.00	0.00		0.00
<b>TOTAL LIABILITIES</b>	<b>214,042.96</b>	<b>3,518.52</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>217,561.48</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unavailable Revenue - Taxes Receivable	330,038.15		127,327.75	0.00	0.00		457,365.90
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>330,038.15</b>	<b>0.00</b>	<b>127,327.75</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>457,365.90</b>
<b>FUND BALANCE:</b>							
Nonspendable Fund Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restricted Fund Balance	0.00	66,893.58	222,030.52	0.00	57,643.78	0.00	346,567.88
Committed Fund Balance	1,584,551.22	0.00	0.00	0.00	0.00	0.00	1,584,551.22
Assigned Fund Balance	0.00	0.00	0.00	245,231.75	0.00	0.00	245,231.75
Unassigned Fund Balance	-187,266.23	0.00	0.00	0.00	0.00	0.00	-187,266.23
<b>TOTAL FUND BALANCE</b>	<b>1,397,284.99</b>	<b>66,893.58</b>	<b>222,030.52</b>	<b>245,231.75</b>	<b>57,643.78</b>	<b>0.00</b>	<b>1,989,084.62</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<b>1,941,366.10</b>	<b>70,412.10</b>	<b>349,358.27</b>	<b>245,231.75</b>	<b>57,643.78</b>	<b>0.00</b>	<b>2,664,012.00</b>

The accompanying notes are an integral part of this financial statement.

Granger School District No. 204

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>REVENUES:</b>							
Local	704,141.18	107,160.66	242,857.60	11,158.16	652.71		1,065,970.31
State	12,470,022.07	0.00	0.00	0.00	55,858.03		12,525,880.10
Federal	3,015,879.39	0.00	0.00	0.00	0.00		3,015,879.39
Federal Stimulus	0.00						0.00
Other	6,089.07			0.00	0.00	0.00	6,089.07
<b>TOTAL REVENUES</b>	<b>16,196,131.71</b>	<b>107,160.66</b>	<b>242,857.60</b>	<b>11,158.16</b>	<b>56,510.74</b>	<b>0.00</b>	<b>16,613,818.87</b>
<b>EXPENDITURES:</b>							
<b>CURRENT:</b>							
Regular Instruction	7,017,170.42						7,017,170.42
Federal Stimulus	0.00						0.00
Special Education	1,199,567.11						1,199,567.11
Vocational Education	714,903.96						714,903.96
Skill Center	0.00						0.00
Compensatory Programs	2,330,116.76						2,330,116.76
Other Instructional Programs	578,281.05						578,281.05
Community Services	14,772.82						14,772.82
Support Services	3,864,971.99						3,864,971.99
Student Activities/Other		106,442.13				0.00	106,442.13
<b>CAPITAL OUTLAY:</b>							
Sites				0.00			0.00
Building				0.00			0.00
Equipment				0.00			0.00
Instructional Technology				0.00			0.00
Energy				0.00			0.00
Transportation Equipment					132,072.39		132,072.39
Sales and Lease						0.00	0.00
Other	125,728.13						125,728.13
<b>DEBT SERVICE:</b>							
Principal	0.00		278,014.00	0.00	0.00		278,014.00
Interest and Other Charges	0.00		49,968.64	0.00	0.00		49,968.64
Bond/Levy Issuance				0.00	0.00		0.00
<b>TOTAL EXPENDITURES</b>	<b>15,845,512.24</b>	<b>106,442.13</b>	<b>327,982.64</b>	<b>0.00</b>	<b>132,072.39</b>	<b>0.00</b>	<b>16,412,009.40</b>

The accompanying notes are an integral part of this financial statement.

Granger School District No. 204

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
<b>DEBT SERVICE:</b>							
REVENUES OVER (UNDER) EXPENDITURES	350,619.47	718.53	-85,125.04	11,158.16	-75,561.65	0.00	201,809.47
<b>OTHER FINANCING SOURCES (USES):</b>							
Bond Sales & Refunding Bond Sales	0.00		0.00	0.00	0.00		0.00
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	0.00		88,000.00	225,000.00	11,000.00		324,000.00
Transfers Out (GL 536)	-324,000.00		0.00	0.00	0.00	0.00	-324,000.00
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	8,688.00		0.00	0.00	1,000.00		9,688.00
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-315,312.00</b>		<b>88,000.00</b>	<b>225,000.00</b>	<b>12,000.00</b>	<b>0.00</b>	<b>9,688.00</b>
<b>EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>35,307.47</b>	<b>718.53</b>	<b>2,874.96</b>	<b>236,158.16</b>	<b>-63,561.65</b>	<b>0.00</b>	<b>211,497.47</b>
<b>BEGINNING TOTAL FUND BALANCE</b>	<b>1,343,271.39</b>	<b>66,175.05</b>	<b>219,155.56</b>	<b>9,073.59</b>	<b>121,205.43</b>	<b>0.00</b>	<b>1,758,881.02</b>
Prior Year(s) Corrections or Restatements	18,706.13	0.00	0.00	0.00	0.00	0.00	18,706.13
<b>ENDING TOTAL FUND BALANCE</b>	<b>1,397,284.99</b>	<b>66,893.58</b>	<b>222,030.52</b>	<b>245,231.75</b>	<b>57,643.78</b>	<b>0.00</b>	<b>1,989,084.62</b>

The accompanying notes are an integral part of this financial statement.

Granger School District No. 204  
Statement Of Fiduciary Net Position  
Fiduciary Funds  
August 31, 2014

	Private Purpose Trust	Other Trust
<b>ASSETS:</b>		
Imprest Cash	0.00	0.00
Cash On Hand	395.11	0.00
Cash On Deposit with Cty Treas	0.00	0.00
Minus Warrants Outstanding	0.00	0.00
Due From Other Funds	0.00	0.00
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	0.00
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
<b>TOTAL ASSETS</b>	<b>395.11</b>	<b>0.00</b>
<b>LIABILITIES:</b>		
Accounts Payable	0.00	0.00
Due To Other Funds	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>NET POSITION:</b>		
<b>Held in trust for:</b>		
Restricted for Other Items	0.00	0.00
Restricted for Self Insurance	0.00	0.00
Restricted for Uninsured Risks	0.00	0.00
Nonspendable -- Trust Principal	0.00	0.00
Committed to Other Purposes	0.00	0.00
Held In Trust For Private Purposes	0.00	0.00
Assigned to Fund Purposes	395.11	0.00
Held In Trust For Pension And Other Employee Benefits	0.00	0.00
Unassigned Fund Balance	0.00	0.00
<b>TOTAL NET POSITION</b>	<b>395.11</b>	<b>0.00</b>

The accompanying notes are an integral part of this financial statement.

Granger School District No. 204  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended August 31, 2014

	Private Purpose Trust	Other Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Private Donations	0.00	0.00
Employer		0.00
Members		0.00
Other	0.00	0.00
<b>TOTAL CONTRIBUTIONS</b>	<b>0.00</b>	<b>0.00</b>
<b>Investment Income:</b>		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	0.00	0.00
Less Investment Expenses	0.00	0.00
Net Investment Income	0.00	0.00
<b>Other Additions:</b>		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
<b>TOTAL ADDITIONS</b>	<b>0.00</b>	<b>0.00</b>
<b>DEDUCTIONS:</b>		
Benefits		0.00
Refund of Contributions	0.00	0.00
Administrative Expenses	0.00	0.00
Scholarships		
Other	194.00	0.00
<b>TOTAL DEDUCTIONS</b>	<b>194.00</b>	<b>0.00</b>
Net Increase (Decrease)	-194.00	0.00
Net Position--Beginning	589.11	0.00
Prior Year(s) Corrections or Restatements	0.00	0.00
<b>NET POSITION--ENDING</b>	<b>395.11</b>	<b>0.00</b>

The accompanying notes are an integral part of this financial statement.

**GRANGER SCHOOL DISTRICT # 204**  
**Notes to the Financial Statements**  
September 1, 2013 Through August 31, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Granger School District is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes of providing public school services to students in grades K–12. Oversight responsibility for the District’s operations is vested with the independently elected board of directors. Management of the District is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor’s Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1) and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.

**Fund Accounting**

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

***Governmental Funds***

**General Fund**

This fund is used to account for all expendable financial resources, except for those that are required to be accounted for in another fund. In keeping with the principle of having as few funds as are necessary, activities such as food services, maintenance, data processing, printing, and student transportation are included in the General Fund.

**Capital Projects Funds**

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital projects fund type: the Capital Projects Fund and the Transportation Vehicle Fund.

Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of major capital assets such as land and buildings.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate to pupil transportation equipment.

#### Debt Service Fund

This fund is used to account for the accumulation of resources for and the payment of matured general long-term debt principle and interest.

#### Special Revenue Fund

In Washington State, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

#### Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District's programs and may not be used to the benefit of any individual.

#### ***Fiduciary Funds***

Fiduciary funds include pension and other employee benefit trust funds, private-purpose trust funds, and agency funds, and are used to account for assets that are held in trust by the District in a trustee and agency capacity.

#### Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, and may be used to benefit individuals, private organizations, or other governments.

#### Pension (and Other Employee Benefit) Trust Fund

This fund is used to account for resources to be held for the members and beneficiaries of a pension plan or other employee benefit plans.

#### Agency Funds

These funds are used to account for assets that the District holds on behalf of others in a purely custodial capacity.

## **Measurement focus, basis of accounting and fund financial statement presentation**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered “measurable” if the amount of the transaction can be readily determined. Revenues are considered “available” when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable but not available and are, therefore, not accrued. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Effective for the 2013-2014 school year, the district implemented provisions of GASB Statement No. 65 Items Previously Reported as Assets and Liabilities. As the result, deferred property taxes were reclassified from liabilities to deferred inflows of resources.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued, contracts have been awarded, or goods and/or services have been received.)

### **Budgets**

Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

### **The government’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.**

The District receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the District has such carryover, those funds are expended before any amounts received in the current year are expended.

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or unassigned amounts are expended.

### **The government's fund balance classifications policies and procedures.**

The District classifies ending fund balance for its governmental funds into five categories. Nonspendable Fund Balance. The amounts reported as Nonspendable are resources of the District that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

Restricted Fund Balance. Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.

Committed Fund Balance. Amounts that are reported as Committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

Assigned Fund Balance. In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce that balance below zero.

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

The Director of Business and Operations is the only person (persons) who have the authority to create Assignments of fund balance.

Unassigned Fund Balance. In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

In other governmental funds, Unassigned fund balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned fund balance means that the legal restrictions and formal commitments of the District exceed its currently available resources.

## **Cash and Cash Equivalents**

All of the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District also remits funds to Educational Service District No. 105(ESD105) for payment of the district's unemployment compensation benefits which are a liability of the District. ESD105 is the trustee of a claims-servicing unemployment compensation pool formed in 1988. Twenty school districts participate in the pool which is governed by a cooperative pool agreement. According to the cooperative pool agreement, only upon dissolution of the pool would the district be entitled to its equitable share of the assets remaining in the pool after all liabilities of each district have been paid. The Investments/Cash held by Trustee represents the district's share of assets currently held by ESD105 on behalf of the district before all liabilities of the pool have been paid. The funds held by ESD105 are not considered readily available to the district.

## **Receivables and Payables**

There are no receivables and payables not expected to be collected within one year.

## **Inventory**

Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. USDA commodity inventory consists of food donated by the United States Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

## **NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

The Yakima County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District directs the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District.

All of the District's investments (except for investments of deferred compensation plans) during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

The District's investments as of August 31, 2014, are as follows:

	Number of Securities	Carrying Amount	Market Value
Certificates of Deposit or Other Time Deposits			
Repurchase Agreements			
Bankers' Acceptance			
Obligations of the U.S. Government or Its Subsidiary Corporations			
Investments Held by Broker-Dealers Under Reverse Repurchase Agreements: U.S. Government Securities U.S. Instrumentality Securities			
State Treasurer's Investment Pool			
County Treasurer's Investment Pool			1,811,921
Total Investments			1,811,921

### **NOTE 3: SIGNIFICANT CONTINGENT LIABILITIES**

#### **Litigation**

The District has no known legal obligations that would materially impact the financial position of the District.

### **NOTE 4: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

On 2/10/2015 the qualified voters approved a new three-year maintenance and operation tax levy to replace the current one that calendar year 2015 is the last year of property tax collection. This new three-year tax levy will be made annually at the amount of \$626,000 commencing the collection in 2016.

In addition, on the same day the qualified voters approved \$11,740,000 principal amount unlimited tax general obligation bonds for the purpose of paying costs of constructing new classroom additions (replacing old portables) at Roosevelt Elementary School, Granger Middle School and Granger High School, constructing a new multipurpose/lunch room at Roosevelt Elementary School, and constructing an additional competition gymnasium at Granger High School. Payment of the bonds is guaranteed by the State of Washington.

### **NOTE 5: ANNUAL PENSION COST AND NET PENSION OBLIGATIONS**

#### **A. General Information**

Substantially all District full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by the Washington State Department of Retirement Systems (DRS): Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). Participation in the programs was as follows:

Membership by retirement system program as of June 30, 2013:

<u>Program</u>	<u>Active Members</u>	<u>Inactive Vested Members</u>	<u>Retired Members</u>
TRS	65,935	9,823	44,220
PERS	150,706	31,047	85,328
SERS	52,295	11,588	9,079

*Data is as of last actuarial valuation date of June 30, 2013.*

Certificated public employees are members of TRS. Non-certificated public employees are members of PERS (if Plan 1) or SERS.

Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. Plan 1 members are eligible to retire with full benefits after five years of credited service and attainment of age 60, after 25 years of credited service and attainment of age 55, or after 30 years of credited service.

Plan 2 under the TRS or SERS programs are defined benefit pension plans whose members joined on or after October 1, 1977, but before June 30, 1996 or August 31, 2000, for TRS or SERS programs, respectively. Members of TRS and SERS are eligible to retire with full benefits after five years of credited service and attainment of age 65, after 20 years of credited service and attainment of age 55 with the benefit actuarially reduced from age 65, or 30 years of credited service and receive either a reduced benefit or stricter return-to-work rules.

Plan 3 under the TRS and SERS programs are defined benefit, defined contribution pension plans whose members joined on or after July 1, 1996, or September 1, 2000, for TRS and SERS, respectively. Members are eligible to retire with full benefits at age 65, or they may retire at age 55 with at least ten service years with a reduced benefit amount, or they may retire at age 55 with at least 30 service years and receive either a reduced benefit or stricter return-to-work rules.

Average final compensation (AFC) of Plan 1 TRS and PERS members is the highest average salary during any two consecutive years. For Plan 2 and Plan 3 TRS and SERS members, it is the highest average salary during any five consecutive years.

The retirement allowance of Plan 1 TRS and PERS members is the AFC multiplied by 2 percent per year of service capped at 60 percent with a cost-of-living adjustment. For Plan 2 TRS and SERS members, it is the AFC multiplied by 2 percent per year of service with provision for a cost-of-living adjustment. For the defined benefit portion of Plan 3 TRS and SERS it is the AFC multiplied by 1 percent per year of service with a cost-of-living adjustment.

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at 6 percent and does not vary from year to year. The employer rate is the same for all plans in a system. The methods used to determine the contribution requirements are established under chapters 41.40, 41.32, and 41.35 RCW for PERS, TRS and SERS respectively.

The district contribution represents its full liability under both systems, except that future rates may be adjusted to meet the system needs.

**B. Contributions**

Employee contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS	6.00%	Plan 1 PERS	6.00%
Plan 2 TRS	4.96%	Plan 2 SERS	4.64%
Plan 3 TRS and SERS	5.00% (minimum), 15.00% (maximum)		

For Plan 3 TRS and SERS, rates adjusted based upon age may be chosen. The optional rates range begins at 5 percent and increase to a maximum of 15 percent.

Employer contribution rates effective September 1, 2013 through August 31, 2014:

Plan 1 TRS	10.39%	Plan 1 PERS	9.21%
Plan 2 TRS	10.39%	Plan 2 SERS	9.82%
Plan 3 TRS	10.39%	Plan 3 SERS	9.82%

Under current law the employer must contribute 100 percent of the employer-required contribution. Employer required contributions in dollars (Participant information for all plans is as of August 31):

<u>Plan</u>	FY 13-14	FY 12-13	FY 11-12
Plan 1 TRS	\$ 14,702.95	\$ 16,451.78	\$ 16,132.62
Plan 2 TRS	\$133,991.32	\$ 99,308.56	\$109,517.74
Plan 3 TRS	\$447,347.82	\$345,709.15	\$314,949.92
Plan 1 PERS	\$ 16,215.01	\$ 18,996.88	\$ 18,673.06
Plan 2 SERS	\$ 86,744.62	\$ 65,119.06	\$ 64,357.81
Plan 3 SERS	\$151,812.17	\$104,981.74	\$ 94,421.50

Historical trend information showing TRS, PERS and SERS progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 2014, comprehensive annual financial report. Refer to this report for detailed trend information. It is available from:

State of Washington  
 Office of Financial Management  
 300 Insurance Building  
 PO BOX 43113  
 Olympia, WA 98504-3113

**NOTE 6: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS**

The State, through the Health Care Authority (HCA), administers an agent multi-employer Other Post-Employment Benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include medical, dental, life insurance and long-term disability insurance.

Employers participating in the plan include the State of Washington (which includes general government agencies and higher education institutions), 57 of the state’s K–12 school districts and educational service districts (ESDs), and 206 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 247 K–12 school districts and ESDs. The District’s retirees are eligible to participate in the PEBB plan under this arrangement.

According to state law, the Washington State Treasurer collects a fee from all school district entities which have employees that are not current active members of the state Health Care Authority but participate in the state retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the state Health Care Authority. For the fiscal year 2013-14, the District was required to pay the HCA \$64.40 per month per full-time equivalent employee to support the program, for a total payment of \$114,544.49. This assessment to the District is set forth in the State’s operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its Annual Required Contribution nor the Net Other Post-Employment Benefit obligation associated with this plan. Accordingly, these amounts are not shown on the financial statements. This is a departure from GAAP.

**NOTE 7: COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES**

The Granger School District has the lease agreements (including maintenance service) as noted below. These are for all copy machines and printers located throughout the district. The lease agreements are set up for 5 year term. At the end of the lease, the district has the option to buy out the equipment at the fair market value or renew the contract month by month. However, the district would return the equipment when the lease expires.

Lessor	9/01/13 Amount	Annual Installment	Final Installment Date	8/31/14 Balance
De Lage Landen	\$ 12,277	\$ 12,277	08/31/14	\$ 0.00
Copiers Northwest	\$ 405,855	\$ 83,970	07/30/18	\$321,885
Total Lease Commitments	\$ 418,132	\$ 96,247		\$321,885

**NOTE 8: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS, INCLUDING ENCUMBRANCES**

Construction in progress is composed of:

Project	Project Authorization Amount	Expended as of 8/31/14	Additional Local Funds Committed	Additional State Funds Committed
High School Football Stadium Light System	\$ 213,948.10	\$ 0.00	\$0.00	\$0.00

**Encumbrances**

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2014:

Fund	Amount
General	\$ 5,912.48
ASB Fund	\$ 0.00
Capital Projects Fund	\$213,948.10
Transportation Vehicle Fund	\$ 0.00

**NOTE 9: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS**

The District's capital assets are insured in the amount of \$ 49,043,246 for fiscal year 2014-15. In the opinion of the District's insurance consultant, the amount is sufficient to adequately fund replacement of the District's assets.

**NOTE 10: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES**

**Long-Term Debt**

Bonds payable at August 31, 2014, are comprised of the following individual issues:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Interest Rate(s)	Amount Outstanding
General Obligation Bonds					
UTGO Refunding Bonds of 2005	\$1,750,000	\$10,000 - 240,000	12/01/2016	4.50%	\$680,000
LGO Bonds	\$ 730,000	\$60,000 - 100,000	06/01/2018	3.75%	\$320,483
Total General Obligation Bonds	\$2,480,000				\$1,000,483

The following is a summary of general obligation long-term debt transactions of the District for the fiscal year ended August 31, 2014:

Long-Term Debt Payable at 9/1/2013	\$1,278,497
New Issues	\$ 0
Debt Retired	\$ 278,014
Long-Term Debt Payable at 8/31/2014	\$1,000,483

The following is a schedule of annual requirements to amortize debt at August 31, 2014:

Years Ending August 31	Principal	Interest	Total
2015	\$ 290,752	\$ 37,780.62	\$ 328,532.62
2016	\$ 303,593	\$ 25,039.92	\$ 328,632.92
2017	\$ 321,540	\$ 11,630.18	\$ 333,170.18
2018	\$ 84,598	\$ 3,172.42	\$ 87,770.42
Total	\$1,000,483	\$ 77,623.14	\$1,078,106.14

At August 31, 2014, the District had \$ 222,030.52 available in the Debt Service Fund to service the general obligation bonds.

## **NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Granger School District is a member of United Schools Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Inter-local Cooperation Act. The program was formed on September 1, 1985, when 29 school districts in the state of Washington joined together by signing a Joint Purchasing Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Current membership includes 155 school districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Act Liability and Employee Benefit Liability is on a claims-made basis. All other coverages are on an occurrence basis. The program provides the following forms of group purchased insurance coverage for its members: Property, General Liability, Automotive Liability, Wrongful Acts Liability, and Crime.

Liability insurance is subject to a self-insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim (member deductibles may vary), while the program is responsible for the \$100,000 self-insured retention (SIR). Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 SIR. The program also purchases a stop loss policy with an attachment point of \$995,000, as an additional layer of protection for its members.

Property insurance is subject to a per-occurrence deductible of \$100,000. Members are responsible for \$1,000 deductible for each claim (Member deductibles may vary), while the program is responsible for the \$100,000 SIR.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Each new member now pays the program an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the program for a minimum of one year, and must give notice before August 31 to terminate participation the following September 1. The Inter-local Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Joint Purchasing Agreement.

The program is fully funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending August 31, 2014, were \$1,514,980.35.

A board of directors of nine members is selected by the membership from six areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The Board of Directors has contracted with Canfield to perform day-to-day administration of the program. This program has no employees.

The district is also a member of two self-insurance pools, administered by Educational Service District (ESD) 105. The pools are governed by boards of directors elected to two-year terms by the pool members.

#### Unemployment Compensation Insurance Pool:

This pool was created in 1988 to form a claims-servicing insurance pool, and currently has 21 other school district members including the ESD. The pool is operated for the district's benefit in-lieu-of the district having to make monthly premium payments to the State of Washington Department of Employment Security for unemployment insurance. The district is charged an annual assessment based upon the eligible gross payroll and unemployment history during the preceding year.

#### Workers' Compensation Insurance Pool:

This pool, formed in fiscal year 1985, is a risk transferring insurance pool, and currently has 23 other school district members including the ESD. The pool is operated for the district's benefit in-lieu-of the district having to make monthly premium payments to the State of Washington for industrial insurance. The pool charges the district an annual assessment based upon total payroll hours and the claims history for the past three years. The district is charged an additional assessment based upon the Workers' Compensation pension rate set by the Washington State Department of Labor and Industries.

The pool retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contract. The pool's per-occurrence retention limit is \$350,000 and the annual aggregate retention is \$2,000,000. The maximum coverage under the excess insurance contract is \$2,000,000.

Further information regarding these self-insurance pools is included in the ESD 105 Annual Financial Report for the year ended August 31, 2014.

## **NOTE 12: PROPERTY TAXES**

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31 collection is not available in time to cover liabilities for the fiscal period ended August 31. Therefore, the fall portion of property taxes is not accrued as revenue. Instead, the property taxes due on October 31 are recorded as deferred revenue.

## **NOTE 13: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

The District is a member of the King County Director's Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts' purchasing power. The board authorized joining the association by passing a resolution dated June 12, 1974, and has remained in the joint venture ever since. The District's current equity of \$ 10,675.63 is the accumulation of the annual assignment of KCDA's operating surplus based upon the percentage derived from KCDA's total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in 10 annual allocations of merchandise or 15 annual payments.

## **NOTE 14: FUND BALANCE CLASSIFICATION DETAILS**

The District's financial statements include the following amounts presented in the aggregate.

	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Non-spendable Fund Balance					
Inventory					
Restricted Fund Balance					
Carryover of Restricted Revenues					
Debt Service				\$222,031	
Arbitrage Rebate					
Uninsured Risks					
Other Items		\$66,894			\$57,644
Committed Fund Balance					
Minimum Fund Balance Policy	\$1,584,551				
Other Commitments	(\$187,266)				
Assigned Fund Balance					
Contingencies					
Other Capital Projects					
Other Purposes					
Fund Purposes			\$245,232		

The board of directors has established a minimum fund balance policy for the general fund to provide for financial stability and contingencies within the District. The policy is that the District shall target a goal of ten percent of the current year's general fund expenditures. Portions of fund balance that are set aside for the purpose of meeting this policy are recorded on the financial statements as a part of Committed fund balance.

## **NOTE 15: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS**

### **457 Plan – Deferred Compensation Plan**

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan, or the District.

### **403(b) Plan – Tax Sheltered Annuity (TSA)**

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years by elective deferrals of employee contribution.

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by a third party administrator. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. For the year ended August 31, 2014, the District made \$0.00 in discretionary and/or matching employer contributions to the plan.

## **NOTE 16: TERMINATION BENEFITS**

### **Compensated Absences**

Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year.

Under the provisions of RCW 28A.400.210, sick leave accumulated by district employees is reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buy out of an amount up to the maximum annual accumulation of 12 days. For buyout purposes employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

These expenditures are recorded when paid, except termination sick leave that is accrued upon death, retirement, or upon termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using an estimate based on employee age and length of service.

These expenditures are recorded when paid. No unrecorded liability exists for other employee benefits.

## **NOTE 17: PRIOR PERIOD ADJUSTMENT**

The district is a member of the Educational Service District No. 105(ESD105) Unemployment Compensation Pool. This pool was created in 1988 to form a claims-servicing pool as defined by the Governmental Accounting Standards Board (GASB) for the purposes of reimbursing the Washington State Department of Employment Security for unemployment compensation

benefits which are a liability of the District. The district remits funds to ESD105 necessary to fund the district's obligation for unemployment compensation in accordance with the Unemployment Pool's Account Agreement. Under this cooperative agreement, ESD105 holds the district's funds and remits payments to the Washington State Department of Employment Security on behalf of the district.

GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues requires the district to include the funds held by ESD105 in the financial statements. These funds were omitted from the financial statements in the prior period. The prior period adjustment for the September 1, 2014 adds \$18,706.13 to Investments/ Cash held with Trustee and \$ 18,706.13 to Fund Balance Committed to Other Purposes(or 637 Estimated Unemployment Benefits Payable) to the opening balances.

Granger School District No. 204  
 Schedule of Long-Term Liabilities: GENERAL FUND  
 For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Non-Voted Debt and Liabilities</b>					
Capital Leases	0.00	0.00	0.00	0.00	0.00
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Non-Cancellable Operating Leases	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	238,620.96	0.00	17,788.98	220,831.98	60,155.68
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
<b>Other Liabilities</b>					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
<b>Total Long-Term Liabilities</b>	<b>238,620.96</b>	<b>0.00</b>	<b>17,788.98</b>	<b>220,831.98</b>	<b>60,155.68</b>

The accompanying notes are an integral part of this financial statement.

Granger School District No. 204  
 Schedule of Long-Term Liabilities: DEBT SERVICE FUND  
 For the Year Ended August 31, 2014

Description	Beginning Outstanding Debt September 1, 2013	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2014	Amount Due Within One Year
<b>Voted Debt</b>					
Voted Bonds	885,000.00	0.00	205,000.00	680,000.00	215,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
<b>Non-Voted Debt</b>					
Non-Voted Bonds	393,497.00	0.00	73,014.00	320,483.00	75,752.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Total Long-Term Liabilities	1,278,497.00	0.00	278,014.00	1,000,483.00	290,752.00

The accompanying notes are an integral part of this financial statement.

**GRANGER SCHOOL DISTRICT # 204**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ending August 31, 2014

1	2	3	4	5	6	7	8	9
Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	From Direct Awards	From Pass Through Awards	Total	Footnote
<b>USDA</b>	WA OSPI	School Breakfast Program	10.553	39-204		\$ 202,523	\$ 202,523	
	WA OSPI	Nat'l Sch Lunch-Cash Assistance	10.555	39-204		\$ 633,256	\$ 633,256	
	WA OSPI	Nat'l Sch Lunch-Non-Cash Assist - Food Commodities	10.555	39-204		\$ 65,788	\$ 65,788	2
	WA OSPI	Summer Food Service Program	10.559	39-204		\$ 15,382	\$ 15,382	
	WA OSPI	Fresh Fruit & Vegetable Program	10.582	39-204		\$ 31,526	\$ 31,526	
	WA OSPI	School and Roads	10.665	N/A		\$ 19,971	\$ 19,971	
				<b>Subtotal US Dept of Agriculture</b>		<b>\$ 968,446</b>	<b>\$ 968,446</b>	
<b>US Dept of Ed</b>	WA OSPI	Title I Grants to Local Ed Agencies	84.010	201506, 228350, 229530		\$ 1,094,039	\$ 1,094,039	3
	WA OSPI	Migrant Education	84.011	282017, 290748		\$ 141,796	\$ 141,796	3
	WA OSPI	Special Ed - IDEA B	84.027	304644		\$ 275,146	\$ 275,146	3
		Impact Aid	84.041	N/A		\$ 63,314	\$ 63,314	
	WA OSPI	Perkins	84.048	173109		\$ 24,827	\$ 24,827	
		Indian Education	84.060	S060A130470		\$ 24,750	\$ 24,750	
	WA OSPI	Special Ed - Section 619	84.173	364645		\$ 12,202	\$ 12,202	3
	Univ of Wash	GEAR UP	84.334	745311, 755111		\$ 146,252	\$ 146,252	
	WA OSPI	Rural Education	84.358	461372		\$ 21,755	\$ 21,755	
	WA OSPI	Limited English Proficiency	84.365	401807		\$ 118,772	\$ 118,772	
	WA OSPI	Improving Teacher Quality St Grnts	84.367	523337		\$ 113,053	\$ 113,053	
				<b>Subtotal US Dept of Education</b>		<b>\$ 88,064</b>	<b>\$ 1,947,842</b>	
<b>US Dept of HHS</b>	WA HCA	Medicaid Administrative Match	93.778	0765-19188		\$ 11,170	\$ 11,170	
		<b>TOTAL FEDERAL AWARDS EXPENDED</b>				<b>\$ 88,064</b>	<b>\$ 2,927,457</b>	
							<b>\$ 3,015,521</b>	

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

## Notes to the Schedule

### NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Granger School Districts financial statements. The Granger School District uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

### NOTE 2 - NON CASH AWARDS - FOOD COMMODITIES

The amount of food commodities reported on the schedule is the value of commodities distributed by the Granger School District during the current year and priced as prescribed by the USDA.

### NOTE 3 - SCHOOLWIDE PROGRAMS

The District operates a "schoolwide program" at the elementary, middle school and high school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. Title I funds were expended by the district in its schoolwide programs. Title I (84.010) \$1,094,039; Special Ed IDEA B (84.027) \$275,146; Special Ed section 619 (84.173) \$12,202; Migrant Ed (84.011) \$141,796

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED  
UNDER OMB CIRCULAR A-133**

**Granger School District No. 204  
Yakima County  
September 1, 2013 through August 31, 2014**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Granger School District No. 204.

<b>Finding ref number:</b> 2014-001	<b>Finding caption:</b> The District charged unallowable costs to the Title I program.
<b>Name, address, and telephone of auditee contact person:</b> Granger School District No. 204 Bic Hall, Director of Business and Operations 701 E. Avenue Granger, WA 98932 509-854-1515	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>Director of Federal Programs and Director of Business and Operations will carefully review invoices and posting of payments monthly.</i>	
<b>Anticipated date to complete the corrective action:</b> Effective immediately.	

## ABOUT THE STATE AUDITOR'S OFFICE

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We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

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<b>Contact information for the State Auditor's Office</b>	
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